

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of)
The Empire District Electric Company's)
Application to Modify its FAC Tariff.)

File No. ER-2010-0275

Tracking No. YE-2010-0589

**INTERIM RATE ADJUSTMENT ORDER
APPROVING TARIFF**

Issue Date: May 12, 2010

Effective Date: May 28, 2010

The Missouri Public Service Commission is approving the tariff to which the Commission assigned tracking no. YE-2010-0589 (“tariff”). The tariff increases The Empire District Electric Company's (“Empire”) cost adjustment factors (“CAF”)—a component of Empire’s fuel adjustment clause (“FAC”)—by \$2.03 per month for the average residential customer of Empire.

A. Procedure

Empire filed the tariff with a supporting affidavit on April 1, 2010. The Commission’s staff (“Staff”) filed its recommendation, with supporting affidavits on April 26, 2010, and filed a clarification on April 30, 2010. The Commission received no other filings.

The statutes allow Empire:

. . . an interim energy charge, or periodic rate adjustments outside of general rate proceedings to reflect increases and decreases in its prudently incurred fuel and purchased-power costs, including transportation. [¹]

¹ Section 386.266.1, RSMo Supp. 2009.

Such charges and adjustments are the product of a contested case² and periodic review,³ both under Commission regulation.⁴

Pursuant to those provisions, the Commission set the terms of Empire's FAC⁵ and conducted reviews according to the following schedule:

Period	Accumulation	Recovery (billing months)
1	September 1, 2008 through February 28, 2009	June 2009 through November 2009
2	March 1, 2009 through August 31, 2009	December 2009 Through May 2010
3	September 1, 2009 through February 28, 2010	June 2010 through November 2010

Recovery Period 3 is the subject of the tariff, which depends on events in two other periods: Recovery Period 1 and Accumulation Period 3.

B. Merits

During Accumulation Period 3, peak demands were higher than usual and included a record-setting amount on January 8, 2010. Also, to meet the peak demand, Empire had to use natural gas, which costs more than the coal it usually uses. Those facts increased Empire's actual fuel and purchased power costs. Those costs, net off-system sales, exceeded Empire's base energy costs by \$3.2 million. During Recovery Period 1, a true-up review shows that Empire experienced \$339,000 in unrecovered energy costs.

² Section 386.266.4, RSMo Supp. 2009.

³ Section 386.266.4(2) and (4), RSMo Supp. 2009.

⁴ Section 386.266.9 and .12, RSMo Supp. 2009; 4 CSR 240-20.20.090 and 4 CSR 240-3.161.

⁵ ***In the Matter of The Empire District Electric Company's Tariffs to Increase Rates for Electric Service Provided to Customers in the Missouri Service Area of the Company***, File No. ER-2008-0093 (Order Granting Expedited Treatment and Approving Compliance Tariff Sheets, Aug. 12, 2008).

The Commission's order⁶ passes through to customers Recovery Period 1's \$339,000, and Accumulation Period 3's \$3.2 million, the latter at 95 percent (approximately \$3.1 million). Those amounts (approximately \$3.48 million) appear in the tariff as increases to Empire's CAFs from current levels as follows by customer class.

\$/kWh	Secondary	Primary
Proposed	\$0.00163	\$0.00160
Current	\$(0.00040)	\$(0.00039)
Increase	\$0.00203	\$0.00199

The increase for the average residential customer is \$2.03.

Those amounts comply with the Commission's regulation and orders, according to Staff's recommendation. The recommendation favors granting the tariff subject to true-up and prudence reviews. Therefore, the Commission will grant such approval.

THE COMMISSION ORDERS THAT:

1. The tariff assigned tracking no. YE-2010-0589 is approved to become effective on June 1, 2010.
2. The specific tariff sheet approved is:

P.S.C. MO. No. 5

3rd Revised Sheet No. 17c cancelling 2nd Revised Sheet No. 17c

3. The fuel adjustment clause of The Empire District Electric Company shall be subject to true-up and prudence reviews.

⁶ Id.

4. This order shall become effective on May 28, 2010.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'S. Reed', is written over a faint, illegible stamp.

Steven C. Reed
Secretary

(S E A L)

Daniel R. E. Jordan, Regulatory
Law Judge, by delegation of authority
pursuant to Section 386.240, RSMo 2000.

Dated at Jefferson City, Missouri,
on this 12th day of May, 2010.